

Syria: Wealth gap widening as inflation hits poor

DAMASCUS, 7 February 2008 (IRIN) - Samir Mohammed has two jobs. By morning he is a government civil servant, by afternoon a roaming taxi driver. For Samir, who lives with his wife and five children in the Yarmouk suburb of southern Damascus, the long working hours are the only way to survive financially.

Even with two jobs, however, Samir, like many Syrians, says he finds life increasingly unaffordable, with costs per month averaging SYP 20,000 (US\$400), and his two jobs earning him only around SYP 18,000 (\$360). Samir said his costs per month were around SYP 10,000 (\$200) a couple of years ago.

The contrast of Samir's life with the growing affluence of Damascus is palpable. Expensive Western-style stores selling Prada shoes and Swiss watches are growing more numerous by the month, but for most Syrians they remain firmly out of reach.

"Prices have gone crazy and it continues day by day," said Samir. "Now I see many more rich people, but also many more poor people."

The plight of Samir reflects a worrying trend in Syria: the widening gap between rich and poor and the inability of a large segment of Syrian society to survive financially as their economy makes the painful adjustment from Soviet-era central control to the perilous freedom of market forces.

According to a recent survey of 1,000 people in Damascus conducted by the Syrian Economic Centre (SEC), 70 percent of respondents believe their financial situation has "deteriorated seriously" in the last two years.

Safi Shujaa, director of the SEC, says the wealth gap between rich and poor has expanded notably. "In Syria the growth rate is a strong 6 percent but the question is: who gets this growth? According to some economists, 70 percent of gross domestic product goes to only 30 percent of Syrians."

Growth not pro-poor

The [last comprehensive study into poverty](#) in Syria by the UN Development Programme (UNDP) in 2005 found that 11.4 percent of the population, or almost 2 million individuals, did not have the means to obtain their basic food and non-food needs. The report said [economic growth was not pro-poor](#) and that wealth inequality increased from 1997 to 2004, the Gini coefficient rising from 0.33 to 0.37. (Invented by the Italian statistician Corrado Gini, the Gini coefficient is a measure of inequality of income distribution or inequality of wealth distribution.)

The report was adopted by the government and became a key plank of its tenth Five Year economic plan.

"Increased poverty is one of the by-products of economic growth everywhere," Shaza al-Jondi, poverty reduction team leader at UNDP Damascus, told IRIN, "and growth has not been pro-poor."

Inflation

Since the 2005 UNDP report, many economists say the situation has worsened as the switch to a market economy has intensified and inflation on food and fuels has soared.

"It's not a secret that prices have gone up tremendously and that people's purchasing power has decreased. We're all feeling it," said UNDP's al-Jondi.

Syrian economists say 2007 witnessed a boom in prices unmatched by wage increases. Many fruit and vegetables have doubled in price, while rents have increased by 300 percent.

While the government estimates average inflation at 5.5 percent in 2007, independent observers suggest figures as high as 30 percent; a result of [a poor agricultural harvest](#), the [influx of over 1.5 million Iraqi refugees](#) as well as a strong tourist season, all of which stretched resources to the limit.

Subsidies' reform

[Syria's struggle to reform](#) its increasingly unsustainable and inequitable subsidies is also hurting the less well off.

"In the past incomes were supplemented by government support, but now as we move towards a free market, government support is being squeezed and society is becoming more privatised," said SEC's Shujaa. "Rich people who own businesses receive the extra revenues but the poor people have to pay more to maintain their standard of living."

The health sector is seen as a case study of the social pain associated with a move towards a market economy. In recent years the [quality and quantity of public health services has declined](#), forcing people to turn to the expensive private sector for basic services.

A recent attempt by the government to decrease diesel subsidies was met by such an outcry the plan was dropped. The SEC survey found that 64 percent of people would rather pay the government a sum of money than lose the fuel subsidy, such is its importance to their standard of living.

Investment drive in northeast

The government says reducing the growing gap between rich and poor is a priority.

The State Planning Commission (SPC) this week launched an investment drive for the northeastern regions, the poorest in Syria, aiming at over SYP 65 billion [US1.3 billion] worth of investment. A project to create a new industrial city in the area has also been launched, in association with the UNDP.

"There are 81,000 unemployed people in Deir Ezzor [a city in the north-east] alone and the projects will help employ these people," said Tayssir Raddawi, head of the SPC.

"Investment is the most important factor in development. It means more production, exports and employment opportunities," added Ahmed Rhazaoui, head of the UNDP in Syria at the launch of the project.

Other projects being launched include the establishment of a social welfare fund to provide direct financial support to the most needy, as well as schemes to increase the level of education and work-efficiency of the most poor.

But the SEC's Shujaa says more fundamental reform is needed if a wealth gap crisis is to be averted.

"The government should adopt a policy of increasing taxes on rich people and decreasing them on poor people," he said. "If the government adopts a full free market, the poor will be ruined."